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NAVY review(s) completed.

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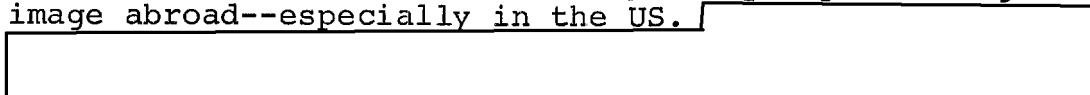
SOUTH VIETNAM

South Vietnam's chief delegate to the Joint Military Commission announced today that Saigon has agreed to restore diplomatic privileges and immunities to the Communists in the hope of getting talks with them resumed in Paris and in Saigon.

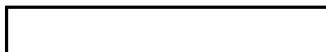


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The Communists have not reacted to the offer, and there is no guarantee they will accept. If they do not, Saigon will be able to place the blame on the Communists for boycotting the talks, and hopefully improve Saigon's image abroad--especially in the US.



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USSR

The number of Soviet Jews receiving exit visas for Israel in May--about 1,500--was one third less than in May 1973. Departures for the first five months of 1974 are now 27 percent below the same period in 1973.

Soviet officials consistently have taken the line that this trend results from a decline in enthusiasm for emigration to Israel, which they attribute to the October war and to problems of assimilation in Israel. Other observers, particularly the Dutch consul in Moscow who processes Israel-bound emigrants, believe there are more plausible explanations for the current decline.

--Many of those whom the Soviets were most willing to see depart--the poorly educated Jews from Georgia and western border areas annexed after World War II--have already left.

--High application fees--more than \$1,200 per person--and tightened application procedures discourage many.

--A media campaign stressing the alleged hardships emigrants face in Israel may be having an impact. Israeli officials concede there is rising discontent among new arrivals over housing and employment, but argue that this has increased the number of Israel-bound Jews who change their destination once out of the Soviet Union. Israelis believe destination changes have increased threefold since last year.

There is no evidence that the rate of outright visa refusal has risen much above the previously estimated 5-10 percent in Israel-bound cases. By using other pressures, however, the Soviets have slowed the rate of applications. The Dutch believe there are still some 160,000 Soviet Jews who are considering application for exit permission.

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By slowing the emigration rate, the Soviets probably intend to express displeasure with US failure to grant the USSR most-favored-nation status. They could make a dramatic gesture by allowing a large number of Jews to leave at the time of the summit meeting, but this would undercut the Soviet line that the recent drop in departures is due to declining interest in emigration. /

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EUROPEAN COMMUNITIES

The EC Council sessions this week--the first since the advent of new governments in Bonn and Paris--showed signs of the community's "new pragmatism." Although all the difficult decisions facing the EC remain to be made, the meetings may have succeeded in lifting some of the gloom that has hung over the community for many months.

British Foreign Secretary Callaghan, as expected, took a more conciliatory line on London's requests to improve the terms of its membership. The relative ease with which a study of Britain's financial contribution was remanded to the EC Commission--under the cover of an examination of the community's economic and financial situation--resulted in part from understandings reached over the weekend between Chancellor Schmidt and President Giscard d'Estaing, and subsequent German lobbying with Callaghan to avoid open affronts to the EC treaty.

Tough bargaining nevertheless lies ahead, and French Prime Minister Chirac made clear in the National Assembly on Wednesday that Paris will look very hard at London's efforts to ease its EC burden. There is also growing impatience in Bonn with mortgaging EC progress to the domestic political problems of the Wilson government. The continuing strength of anti-EC feeling in Britain makes it all the more necessary for London to make headway in Brussels on its demands for "renegotiation."

The EC finance ministers yesterday addressed the question of credit facilities that would be open to member countries facing a financial squeeze. The Commission has proposed such machinery as part of the strengthened economic and monetary policy coordination measures generally deemed necessary. This is also considered an essential prerequisite to relaunching a joint float of all EC currencies, though resurrection of the joint float seems out of the question for the foreseeable future.

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In the meantime, this mechanism would serve to provide financing to Italy and other members threatened with payments problems, a need for which there is a broad consensus. Germany, the main contributor to any such funding, is opposed to bilateral aid agreements, but may not be averse to providing assistance through community arrangements. Bonn would demand, in return, commitments from the EC states to anti-inflationary measures. Such austerity measures are at the heart of the crucial negotiations now under way in Rome between the government and labor unions. Paris may also find meaningful austerity steps difficult to impose.

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BURMA

The government is facing one of the most serious threats to domestic stability since President Ne Win came to power in 1962. Labor unrest in Rangoon is approaching the level of a general strike. Burmese army troops fired on demonstrating workers yesterday, killing seven and wounding 17.

There have been some signs of friction among senior officials over how to handle the problem, but the army apparently is still firmly supporting the regime. Ne Win is now out of the country on a good will trip, and his subordinates will probably do no more than try to keep the lid on until his return in mid-June.

The strikes in Rangoon, which follow a series of strikes in other cities, are over demands for larger rice rations and other economic benefits. The workers appear to be showing better organization as the disturbances spread, but there is no evidence of any involvement by the Communists or other organized groups.

The spread of the disturbances to Rangoon clearly has worried the government. Authorities were able to end some of the earlier strikes by promising to meet workers' demands, but if the unrest persists, troops are likely to continue to use force to suppress the demonstrations. Schools are already closed to prevent students from joining demonstrations, and doctors at Rangoon hospitals are on alert under a "disaster plan."

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PORTUGAL

The problems Lisbon faces in establishing a new relationship with its large African territories has tended to overshadow difficulties that are surfacing in some of Portugal's smaller colonies.

Two representatives of the Lisbon junta arrived in Macao last week during a minor rebellion among Portuguese soldiers stationed in this enclave off the South China coast. Apparently inspired by the new spirit of reform in Portugal, the soldiers were protesting their poor living conditions and the inefficiency of their superiors. The garrison commander was sacked, but the two envoys rejected a proposal by a newly formed civilian political group to dismiss the Portuguese governor. Peking, which maintains a veto on activities in the colony, has been satisfied with the governor's administration and has not indicated that it wishes a change.

In Portuguese Timor, another Asian colony, Portuguese authorities have promised to hold a plebiscite next March to determine the status of their portion of the island; Timor is in the eastern part of the Indonesian archipelago. Indonesia has never officially recognized Portugal's right to remain in Timor, but Jakarta has given no sign that it regards the current situation as a good opportunity to extend its rule over the entire island.

Stirrings have also been reported from Sao Tome and Principe, a two-island Portuguese province off the coast of central Africa. Several newly established political parties have formed a front and have sent a message to Lisbon complaining that all administrative posts are still being held by officials appointed by the Caetano regime.

There are also signs of an independence movement in the Azores Islands which are regarded as an integral part of Portugal. The US consulate in Ponta Delgada expects a manifesto favoring independence to be published soon.

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Perhaps as a prelude to the manifesto, the main newspaper in Ponta Delgada published a series of editorials last week expressing disappointment over the new Lisbon government's apparent neglect of the islands.

Independence fever also has spread to the Portuguese resort island of Madeira and the oil-rich African enclave of Cabinda, which is administered from Angola. According to press reports, the Democratic Movement of Madeira is evaluating the possibility of complete independence or joining a Portuguese confederation. A similar movement in Cabinda is demanding independence from Portugal and Angola. [REDACTED]

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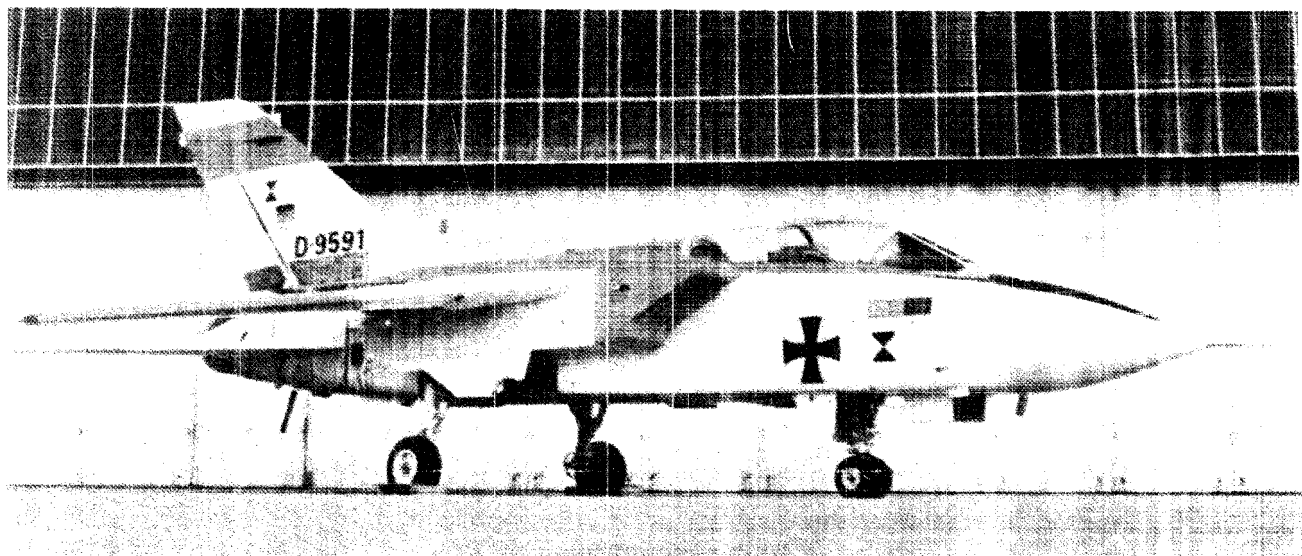
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EUROPEAN MULTIROLE COMBAT AIRCRAFT



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UK - ITALY - WEST GERMANY


Engine problems have once again delayed the initial flight of the European Multirole Combat Aircraft (MRCA). This latest failure comes at a time when a decision to authorize funds to continue the program is about to be made by the three countries involved.

The aircraft has been undergoing extensive taxi trials at its base near Munich, and project managers had expected the first flight in late May. The flight was canceled, however, because of a failure in one of the plane's engines. Rolls-Royce, the manufacturer of the engine, claimed that the problem is not serious, but the flight, already six months behind schedule because of previous engine troubles, has been postponed for several weeks.



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The flight scheduled for May had been intended to coincide with the meeting of the three countries on the project. Funds must be authorized soon for the second phase of the plane's development, or it will have to be scrapped. The next phase reportedly will cost the participating governments the equivalent of at least \$240 million. The UK and West Germany would equally share about 85 percent of this cost, and Italy would contribute the remaining 15 percent.

The West Germans and the Italians are seriously considering withdrawing from the project and have already begun looking for alternative aircraft. The British aircraft industry wants to keep the project alive, but London's need to cut back on defense spending makes the MRCA vulnerable. 

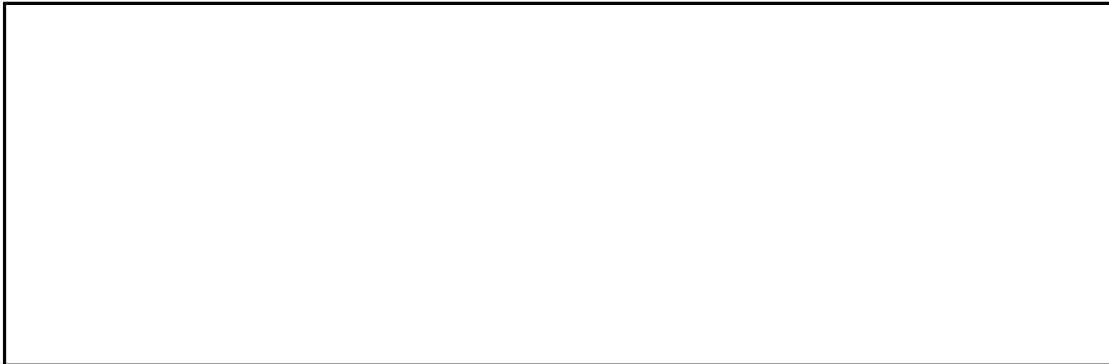
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JAPAN - SOUTH KOREA

Seoul has reopened a controversy with Japan by bringing South Korean opposition leader Kim Tae-chung to trial. The Japanese government is being forced by growing domestic criticism of Seoul's action to take a firm diplomatic stand.



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Prime Minister Tanaka on June 5 publicly expressed hope that Seoul would "keep its promise" to let Kim leave the country. The Japanese government does not want this latest episode in the Kim Tae-chung affair to damage its close ties with Seoul, but the Japanese press is giving heavy and critical coverage to Kim's problems.

Seoul, for its part, seems determined to go ahead with the trial. By trying the popular Kim, along with two other political figures accused of illegal political activities, President Pak wants to drive home to his political opponents that criticism of the government will not be tolerated.

A high Japanese foreign ministry official arrived in Seoul on June 6 for six days of discussions on the Kim case and other bilateral problems. The forthcoming trial of two Japanese students charged with subversive activities in Korea will also probably be discussed. Tokyo is hopeful that the furor over the Kim case might prod Seoul to be more lenient in its disposition of the two students--a case that is also receiving considerable attention in the Japanese media.

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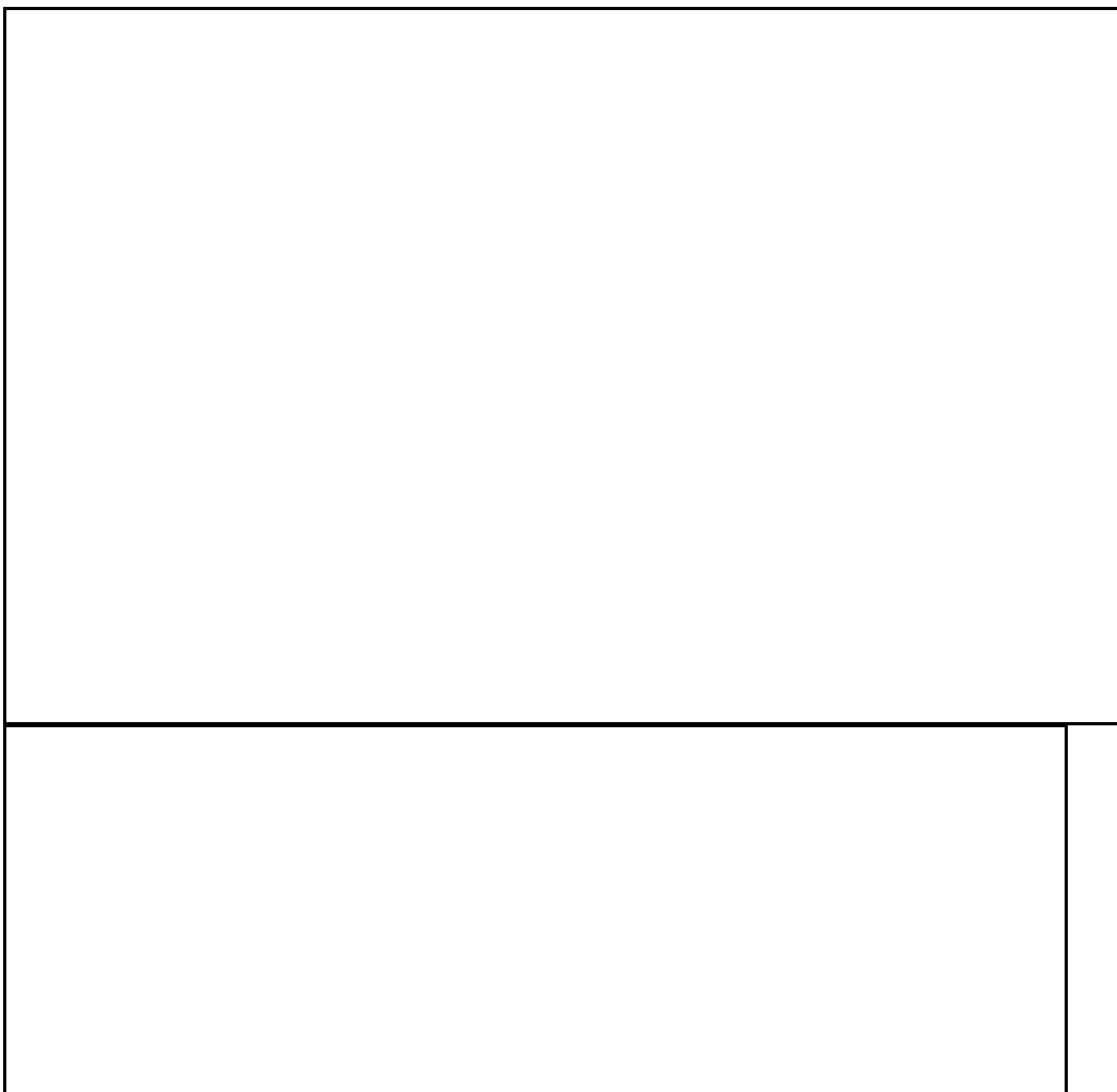
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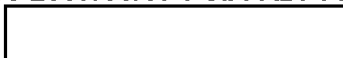
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FOR THE RECORD

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Mozambique-Portugal: Talks in Lusaka, Zambia, between the Mozambique insurgents and the Portuguese were adjourned yesterday and will be resumed next month, according to a joint communiqué. The two sides presented their basic bargaining positions in the two-day session.



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Foreign Minister Soares will attempt to wrap up talks with the Portuguese Guinea insurgents--which resume tomorrow in London--before he turns his full attention to the Mozambique problem.

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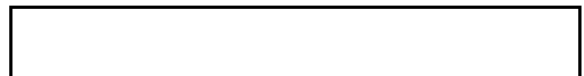
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